

Neutral Tandem Presentation

WC Docket No. 06-159

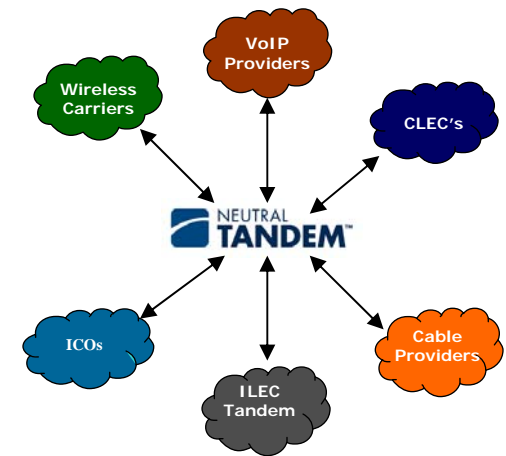


October 24, 2007

www.neutraltandem.com

Neutral Tandem's Business:

- **Provide a neutral interconnection point for carriers to exchange traffic.**
 - Independent from ILEC facilities
 - Completely redundant power and transport in and out of our tandem locations
 - Saves carriers \$50 million annually
- **Strengthen the PSTN with Redundant tandem switching and transport.**
 - Hurricane Katrina, 9/11, etc.
- **Connect to over 775 competitive carrier switches in 55 markets.**
 - 3.8 Billion minutes a month
- **Services used by over 79 major competitive carriers, including:**
 - Wireless
 - Wireline
 - Cable
 - VoIP



- **Neutral Tandem's Petition Requests:**
 - An order under Section 201(a) applicable to Verizon Wireless only;
 - requiring Verizon Wireless to accept terminating transit traffic from Neutral Tandem;
 - only where traffic volumes justify such interconnection; and
 - only if Neutral Tandem pays 100% of the cost to deliver the traffic to Verizon Wireless.

Where Does the Issue Stand Today?

- Issue started four years ago and is in its third FCC proceeding (including two prior “Rocket Docket” proceedings).
 - FCC opened Docket 06-159 in Aug. ‘06 to seek comments.
 - Verizon Wireless has refused all attempts to resolve this matter informally.
- Homeland Security & competitive benefits of the Neutral Tandem Petition were broadly recognized and supported by 20+ parties:
 - Cities (New York, Chicago)
 - State regulators (New York, Illinois)
 - Carriers (AT&T and numerous other carriers)
 - Congressional Support (Rep. Peter King, Senators Durban and Obama)

- **The FCC's Katrina Report:**
 - “In reviewing the detailed reports from each communications sector, there were three main problems that caused the majority of communications network interruptions: (1) flooding; (2) lack of power and/or fuel; and (3) ***failure of redundant pathways for communications traffic.***”
 - During the New Orleans disaster, “[t]he switches that ***failed, especially tandems***, had widespread effects on a broad variety of communications in and out of the Katrina region.”
 - “***Katrina highlighted the dependence on tandems and tandem access....The high volume routes from tandem switches***, especially in and around New Orleans were especially critical and vulnerable. ***Katrina highlighted the need for diversity of call routing and avoiding strict reliance upon a single routing solution.***”

Homeland Security Benefit: Tandem Redundancy

Before Neutral Tandem

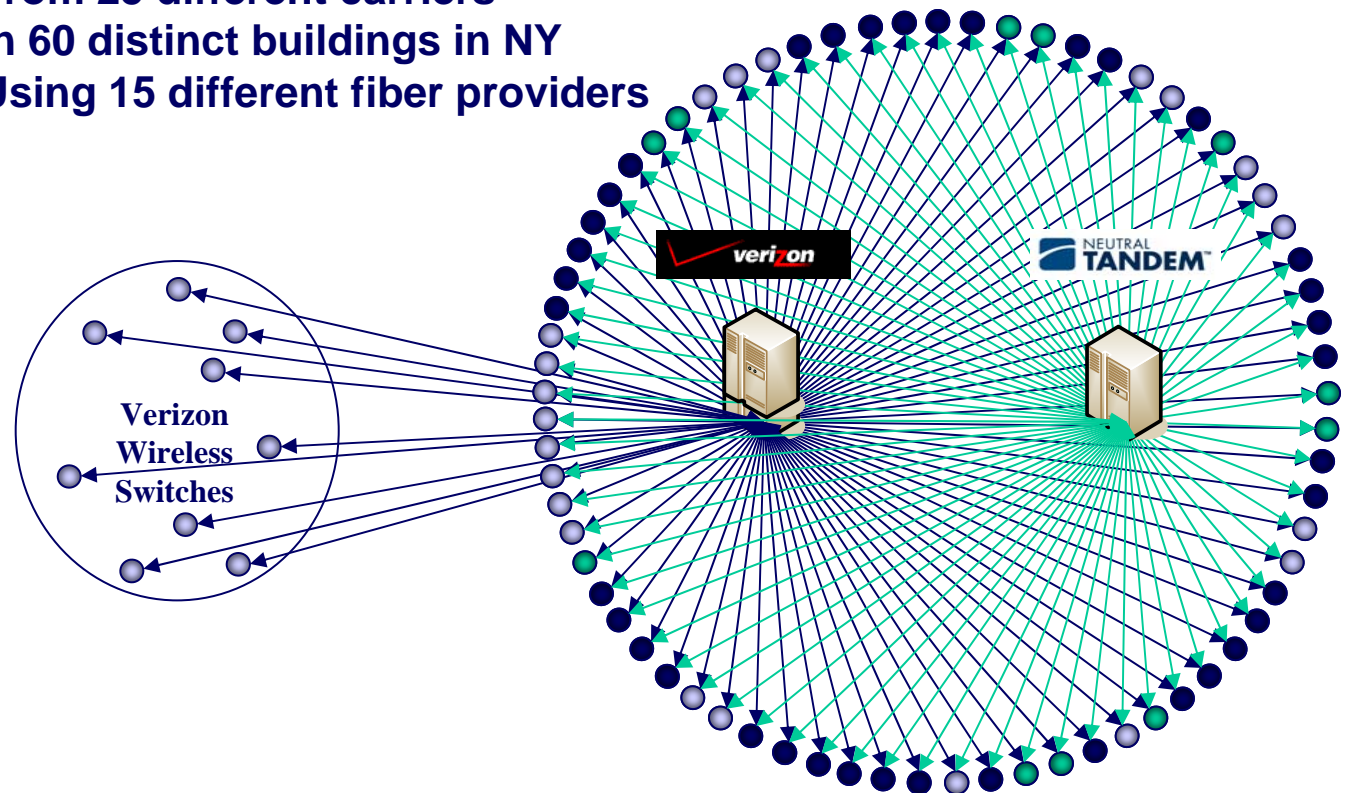
LEC tandems were
a single point of
failure

After Neutral Tandem

Diverse Tandems
Diverse Switch Sites
Diverse Transport
Diverse Routes

New York Example

- Neutral Tandem connects 123 competitive switches in NY
 - From 25 different carriers
 - In 60 distinct buildings in NY
 - Using 15 different fiber providers



Key:



Wireless Switch



CLEC Switch

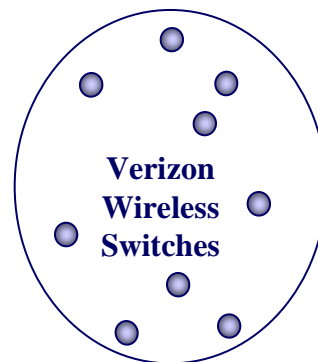


Cable/IP Switch

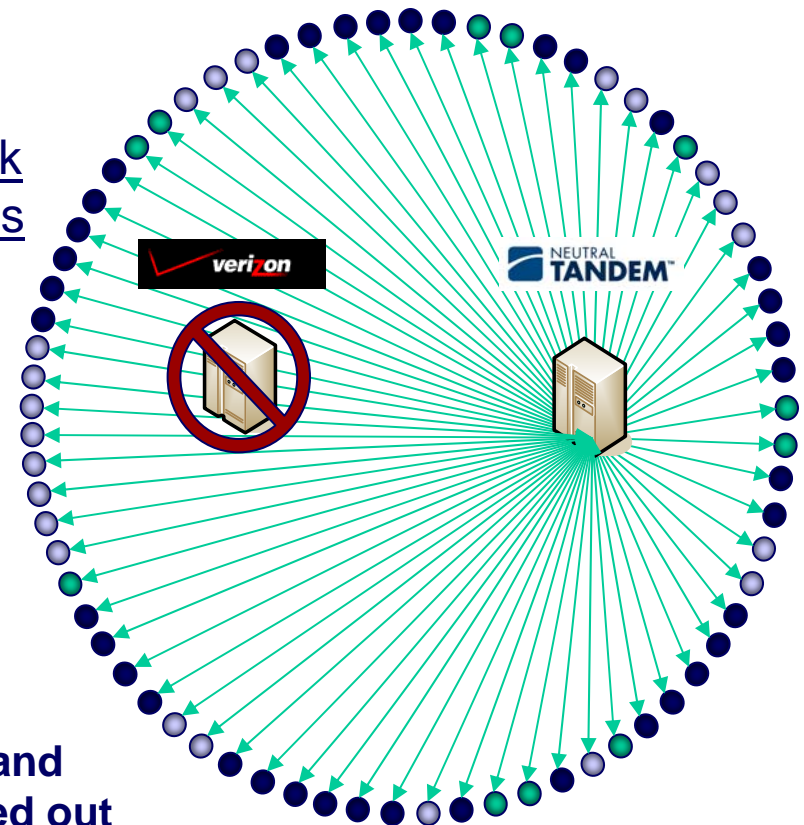
Homeland Security Benefit: Tandem Redundancy

Without Neutral Tandem:

- Verizon Wireless switches lack redundant tandem connections



- Exposes millions of corporate and consumer end users to extended out of service condition



Key:

● Wireless Switch

● CLEC Switch

● Cable/IP Switch

Public Interest Support for Petition

- New York PSC: “After the September 11 attack, we found that the wireless industry may have consistently undersized trunks interconnecting their services to wireline facilities. While this practice may make sense from a purely economic standpoint, the danger is that it can result in network ‘choke points’ that may easily become swamped in emergency or catastrophic situations.”
- City of New York: “[New York City] has emphasized the need for increased diversity (distributed networks) and survivability in the telecommunications sector in New York. Given the instant Petition’s implications for network diversity and homeland security, [New York City] reiterates those positions in this case.”
- City of Chicago: “The City urges the Commission to heed the [Hurricane Katrina] panel’s guidance and not limit availability of the competitive alternatives offered by Neutral Tandem, which positively affect both current emergency preparedness efforts and the City’s ability to respond to a future crisis situation. Because encouraging redundancy in the PSTN in the manner requested by Neutral Tandem before disaster strikes is to the benefit of all citizens, the Petition should be granted.”

Public Interest Support for Petition

- **Illinois Commerce Commissioner Lieberman**: “Neutral Tandem’s operations as an alternate tandem service provider would add redundancy to the telecommunications network, and could minimize service disruptions in the event of natural disasters and other catastrophes.”
- **Comptel**: “Neutral Tandem’s direct connections with Verizon Wireless will advance network reliability and redundancy, will aid disaster recovery in the event of any overcapacity or outage situation, and will therefore promote homeland security.”
- **McLeodUSA**: “The availability of an alternative, competitive tandem service also increases the network’s overall efficiency, redundancy and reliability, which in turn speeds up disaster recovery efforts and bolsters homeland security.”
- **Joint Commenters**: “[C]reating an additional termination route to Verizon Wireless promotes network reliability, diversity, homeland security, and disaster recovery across the PSTN as a whole. The benefits are especially great in areas suffering from ILEC tandem exhaust and call blocking due to that tandem over-capacity.”

The FCC Predicted CMRS/ILEC Anticompetitive Conduct

- **The FCC Warned CMRS Carriers Against Discriminating in Favor of ILEC affiliate tandems:**

[T]he Commission stands ready to intercede in the event a CMRS provider refuses a reasonable request to interconnect. We will be particularly vigilant in policing, where they exist, any efforts by CMRS providers to deny interconnection in order to gain an unfair competitive advantage. For example, we would find LEC investment in, and affiliation with, the party denying interconnection an important factor in assessing whether such denial was motivated by an anticompetitive animus. **Unlike independent CMRS carriers, ILEC-affiliated CMRS carriers may have a unique incentive to deny interconnection so as to keep CMRS-to-CMRS traffic interconnected through the local exchange landline network, and to continue to collect CMRS interconnection charges from both sets of CMRS providers through their access charge structure.** Such LEC ownership interests may play an important role in assessing whether a denial of interconnection is a reasonable business decision or a form of anticompetitive conduct intended to raise rivals' costs of doing business and hence hinder competition.

- *CMRS NPRM*, 10 FCC Rcd. at 10687 (footnotes omitted).

Interconnection with Neutral Tandem is Efficient

- Verizon Wireless suggests that connecting to Neutral Tandem is inefficient, *but*:
 - Neutral Tandem pays 100% of the cost to deliver traffic to Verizon Wireless—saving Verizon Wireless transport cost
 - There is no increase in the amount of traffic Verizon Wireless receives, so there is no additional port cost
 - Neutral Tandem aggregates traffic from numerous carriers making interconnection substantially more efficient than individual carrier interconnections.
 - Verizon Wireless benefits by the diversity Neutral Tandem provides

This is an Interconnection, Not a Compensation Issue

- Tandem providers (both ILECs and NT) deliver originating call information to terminating carriers; terminating carriers may bill the originating carrier for any applicable compensation.
 - There is no “Phantom Traffic” with Neutral Tandem—Neutral Tandem can always identify the originating carrier for every call
- Regardless of which tandem carrier delivers the traffic to terminating carriers, the terminating party’s right to compensation is unaffected.
- Transit carriers (both the ILECs and NT) are not responsible for paying terminating carriers compensation charges.

- **Interconnection among carriers is essential for network interoperability, economic efficiency, homeland security, and competition**
- **Connection between NT and VW networks is “necessary [and] desirable in the public interest” under 201(a)**
- **FCC should grant the Petition as filed—**
 - **requiring Verizon Wireless to accept terminating transit traffic from Neutral Tandem provided**
 - **traffic equals at least 3 DS1s**
 - **Neutral Tandem pays 100% of the cost to deliver the traffic to Verizon Wireless; and**
 - **Neutral Tandem provides Verizon Wireless with all the originating carrier call information received by Neutral Tandem**
 - **leaving existing inter-carrier compensation arrangements unchanged (Verizon Wireless can bill any applicable charges to the originating carrier)**